

## Message Text

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ACTION EA-09

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R 180850Z SEP 75

FM AMEMBASSY JAKARTA

TO USDOC WASHDC

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AMEMBASSY SINGAPORE

AMCONSUL MEDAN

UNCLAS JAKARTA 11552

E.O. 11652: N/A

TAGS: BEXP ID

SUBJECT: TRADE PROMOTION EVENT: FISHERIES EQUIPMENT  
CATALOG SHOW

REFS/ (A) JAKARTA 10970

(B) USDOC 12780

(C) JAKARTA 11053

(D) JAKARTA 7833, UNE 26, 1974

(E) SURABAYA 0475

THE FOLLOWING TEL FROM SURABAYA SENT ACTION JAKARTA DTD 15 SEP IS  
RPTD:

QUOTE

SURABAYA 0577

E.O. 11652: N/A

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1. SUMMARY: SINCE MY RETURN FROM HOME LEAVE SEPTEMBER 6, ECON/COMM OFFICER CHRISTY, COMMERCIAL ASSISTANT TAN AND I HAVE GONE OVER THE DATA RELEVANT TO HOLDING A SUCCESSFUL COMMERCIAL FISHING EQUIPMENT SHOW IN SURABAYA NEXT YEAR. WE HAVE REGRETFULLY CONCLUDED THAT, BECAUSE OF THE FRAGMENTED, UNSTRUCTURED NATURE OF THE MARKET, AND JAPANESE PREDOMINANCE THEREIN, AND BECAUSE OF HEAVY PERSONNEL TURN-OVER AT THIS POST OVER THE NEXT TEN MONTHS, WE CANNOT GUARANTEE THAT THE EVENT WOULD MEET ITS OBJECTIVES. GIVEN THIS UNCERTAINTY, WE BELIEVE CONSIDERATION OF EVENT SHOULD BE HELD IN ABEYANCE FOR ONE YEAR, WITH POSSIBLE TARGET-DATE MID-1977 REPEAT 1977. FOLLOWING ARE SOME OF THE FACTORS IN OUR CALCULATIONS:

2. OF THREE PROGRAMS IDENTIFIED PARA 2 REF A, THE SECOND, GOI PROGRAM FOR SMALL FISHERMEN, IS MOST POLITICALLY SENSITIVE. INDIVIDUAL FISHERMEN IN INDONESIA HAVE LOWEST PER CAPITA INCOME (ESTIMATED AT U.S. \$50 PER YEAR) IN INDONESIA. THEY ARE SUBJECT TO SEVERE EXPLOITATION BY FISH BUYERS (MOSTLY CHINDSE), AND HAVE PROVED HIGHLY RESISTANT TO MODERNIZATION. RIOTS IN MUNCAR, EAST JAVA, LAST YEAR WERE A DIRECT RESULT OF EFFORTS TO IMPLEMENT GOI MODERNIZATION PROGRAM. CREATION OF FISHERMEN'S COOPERATIVES IS UNDERWAY, BUT THIS PROGRAM FACES SEVERE DIFFICULTIES. ITS FIRST AIM IS THE EDUCATION OF FISHERMEN ABOUT BASICS, SUCH AS USE OF NYLON AS OPPOSED TO NATURAL FIBRE NETS. EVEN THIS SMALL CHANGE, HOWEVER, WILL CAUSE SIGNIFICANT DISLOCATIONS, AS MANY INDIVIDUALS IN FISHING VILLAGES EARN THEIR LIVELIHOOD BY REPAIRING NETS. MOREOVER, COOPERATIVES WILL REQUIRE MASSIVE FINANCIAL ASSISTANCE FROM GOVERNMENT. GIVEN LARGE NUMBERS OF PEOPLE DEPENDENT ON FISHING FOR THEIR LIVELIHOOD AND THEIR ECONOMICALLY DEPRESSED CONDITION, IT WILL BE SOME TIME BEFORE GOVERNMENT PROGRAM CREATES DEMAND FOR MORE THAN THE MOST RUDIMENTARY EQUIPMENT.

3. PENETRATION OF ORGANIZED PRIVATE SECTOR OFFERS LITTLE HOPE OF SUCCESS DUE TO NATURE OF MARKET. MAJOR EXPORT MARKET FOR INDONESIAN PROCESSED SEAFOOD PRODUCTS IS JAPAN, UNCLASSIFIED

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AND EVEN NON-JAPANESE JOINT VENTURES MAKE BULK OF THEIR SALES TO JAPAN. JAPANESE JOINT VENTURE OPERATIONS ARE USUALLY SADDLED WITH MULTI-YEAR CONTRACTS TO SEEK MOST, IF NOT ALL, OF THEIR OUTPUT TO JAPAN. FINANCING OF THESE VENTURES USUALLY ORIGINATES IN JAPAN, AND DEBTS AT SUBSTANTIAL INTEREST ARE REPAID THROUGH SALES ON JAPANESE MARKET, WITH JAPANESE SELLING AGENT OFTEN BEING JOINT VENTURE PARTNER. EXPANSION OF THE ORGANIZED PRIVATE SECTOR MOST LIKELY TO

TAKE PLACE THROUGH ESTABLISHMENT OF ADDITIONAL JOINT VENTURES, AND EQUIPMENT SUPPLIES WILL GENERALLY BE SOURCED FROM FOREIGN PARTNER COUNTRY.

4. ONE ADDITIONAL PROBLEM IN ORGANIZED PRIVATE SECTOR IS THAT MOST SUCH PROJECTS ON JAVA RELY ON SMALL FISHERMEN FOR THEIR CATCH. ONLY IN OUTER ISLANDS DO INDIVIDUAL COMPANIES MAINTAIN MOTORIZED FISHING VESSELS. EVEN OUTSIDE JAVA, THEY DEPEND HEAVILY ON INDIVIDUAL FISHERMEN FOR SUPPLIES OF FRESH SEAFOOD.

5. AS NOTED REF A, GOI STATE FISHERIES ENTERPRISES HAVE EXPANSION PLANS, BUT THESE ARE MODEST AND HEAVILY DEPENDENT ON FUNDING FROM INTERNATIONAL LENDING INSTITUTIONS. BELIEVE THIS AREA MAY BEST BE SERVED BY SUPPLYING INFORMATION TO QUALIFIED U.S. FIRMS THROUGH TRADE OPPORTUNITIES PROGRAM. IN THIS REGARD, REF C INVITES AMERICAN COMPANIES TO PREQUALIFY AS BIDDERS FOR FISHING EQUIPMENT FOR STATE ENTERPRISES.

6. IN FISHERIES AND FISHERIES-RELATED MARKET, U.S. FIRMS SEEM MOST COMPETITIVE IN MARINE PROPULSION EQUIPMENT, INSTRUMENTATION, AND PROCESSING, STORAGE, AND REFRIGERATED TRANSPORT EQUIPMENT. THE JAPANESE, ESPECIALLY YANMAR BRAND, ARE HEAVILY ENTRENCHED IN MARINE PROPULSION MARKET. MERCURY ALREADY HAS A LOCAL AGENT HERE, BUT MERCURY FOCUS IS ON NASCENT MARKET FOR PLEASURE CRAFT. MOST CATEGORIES OF INDONESIAN FISHERIES INDUSTRY ARE NOT YET READY FOR SOPHISTICATED INSTRUMENTATION, SUCH AS DEPTH FINDERS, FISH FINDERS, AND NAVIGATION EQUIPMENT. FUTURE MARKET FOR SEA PRODUCT PROCESSING, COLD STORAGE, AND REFRIGERATED TRANSPORT, SUCH AS TRUCKS AND RAILWAY CARS, LOOKS MORE PROMISING. BUT AS NOTED IN REF D, THIS MARKET HAS NOT

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YET REACHED POINT TO WARRANT TRADE PROMOTION EFFORT. LOCAL CAPITAL FOR PROCESSING AND TRANSPORT EQUIPMENT IS STILL EXTREMELY LIMITED.

7. OTHER MAJOR UNCERTAINTY ARISES BECAUSE OF PERSONNEL TURN-OVER AND CERTAIN OTHER UNAVOIDABLE ACTIVITIES AT POST. ADMIN OFFICER PIERCE SCHEDULED FOR TRANSFER NOVEMBER 1975, TO BE REPLACED BY OFFICER WITHOUT PREVIOUS GSO EXPERIENCE AND MINIMAL LANGUAGE CAPABILITY. CHRISTY WOULD LIKE TO DEPART POST (NLT) MAY 1976. HIS REPLACEMENT HAS NO PRIOR E/CM EXPERIENCE AND IS NOT DUE TO ARRIVE UNTIL JULY 1976. I WILL BE DEPARTING POST IN JULY 1976, AND WILL BE SPENDING JUNE MAKING FAREWELL CALLS IN CONSULAR DISTRICT. MY LOCAL SECRETARY RESIGNED IN AUGUST TO FOLLOW HER HUSBAND TO A JOB IN CENTRAL JAVA, AND WE ARE BREAKING

IN A REPLACEMENT WITH NO PREVIOUS EXPERIENCE, AND WITHOUT HER PREDECESSOR'S BROAD RANGE OF LOCAL CONTACTS. FINALLY, OUR CALENDAR IS FULL FOR MAY AND JUNE 1976. WE USUALLY HOLD A MAJOR BUSINESS ORIENTED EVENT, AMERICA CUP GOLF TOURNAMENT, IN JUNE, AND WILL ALSO BE PREPARING FOR 200TH ANNIVERSARY FOURTH OF JULY CELEBRATION.

8. FOREGOING LIMITATIONS MEAN THAT OUR CAPABILITIES WILL BE STRETCHED EVEN WITH OUR NORMAL RANGE OF ACTIVITIES, AND THAT WE COULD NOT DO JUSTICE TO A FISHERIES EQUIPMENT TRADE MISSION, OR EVEN CATALOG SHOW, IN 1976. RECOMMEND THAT 1976 EVENT BE DEFERRED TO 1977 OR LATER WHEN THEME CAN BE INCORPORATED WITH EVENT, SUCH AS FOOD PROCESSING AND HANDLING PROMOTION, WHICH PROMISES GREATER RETURN FOR PARTICIPATING U.S. COMPANIES.

HOWLAND  
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EMBASSY COMMENT: IN VIEW OF NEW CONSIDERATIONS RAISED BY SURABAYA SONSULATE, EMBASSY CONCURS THAT FISHERIES EQUIPMENT TRADE MISSION SHOULD NOT BE HELD IN SURABAYA, AS ORIGINALLY PROPOSED, IN 1976.  
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